

SUBCOMMITTEE NO. 2

Agenda

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1:30 PM

Room 112

Part 2

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Proposed Consent Calendar

Staff Recommendation: Staff recommends the subcommittee approve the following consent calendar items. No opposition or issues have been raised with the proposals. (A brief description of these items can be found under the respective agencies, departments, etc.)

Energy Resources Conservation and Development Commission

Finance Letter - Energy Technologies Research, Development and Demonstration Account

Finance Letter - Reversion of Unencumbered Energy Project Funding

Public Utilities Commission

Finance Letter - Expert Witnesses Related to PG&E Energy Procurement Cost Lawsuit

Finance Letter - Contracted Legal Services Related to the PG&E Bankruptcy

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Finance Letter - Budget Augmentation

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Finance Letter - Analytical Chemistry Laboratory

Finance Letter - Exotic Newcastle Disease

Finance Letter - Animal Adoption Mandate

Integrated Waste Management Board

Finance Letter - Federal Grant Expenditure Authority

Department of Toxic Substances Control

Finance Letter - Restoration of Funding for Eliminated Positions

Action:

3360 Energy Resources Conservation and Development Commission

The California Energy Commission (CEC) develops and implements California's energy policy. Specifically, the Commission (1) maintains historical energy data and forecasts future statewide energy needs; (2) sites and licenses thermal power plants; (3) promotes energy efficiency and energy conservation programs and regulations; (4) develops renewable energy resources and alternative energy technologies; and (5) plans for and directs state response to energy emergencies. The Commission's mission is to assess, advocate and act through public-private partnerships to improve energy systems that promote a strong economy and a healthy environment.

Items on the Proposed Consent Calendar

Energy Technologies Research, Development and Demonstration Account (ETAP)

The May Revision proposes to transfer \$1.288 million from ETAP to the General Fund. This account was established with funds from the Energy Resources Programs Account (ERPA) to provide grants and loans to public and private entities for energy conservation and efficiency-related research and development projects. The commission's Public Interest Research (PIER) Program supports substantially similar research and development, but on a much larger scale than that of ETAP.

Reversion of Unencumbered Energy Project Funding

The May Revision proposes to revert a total of \$4.943 million, appropriated to the CEC by energy crisis legislation, to the General Fund. Specifically, the May Revision proposes to revert \$4.683 million appropriated by SB 5X (Sher) of 2001 and \$260,000 appropriated by AB 970 (Ducheny) of 2000. This funding was earmarked for various energy conservation projects and programs. These funds are currently unencumbered and uncommitted.

Issues

Public Interest Research, Development and Demonstration Fund

Issue 1: The May Revision proposes to decrease the commission's expenditure authority from this fund by \$20 million and to loan that amount from the PIER Program to the General Fund. This proposal does not include any repayment terms for the loan. The PIER Program provides grants to public and private entities for energy research and development projects, such as energy efficiency, renewable energy, and energy systems integration. Because most PIER projects are long-term and financed with funds encumbered in prior years, the proposed loan will address the General Fund shortfall without causing serious damage to the PIER Program.

Staff Recommendation. Staff recommends approving the May Revision Finance Letter, which loans \$20 million from the Public Interest Research, Development and Demonstration Fund to the General Fund. Staff further recommends that the committee require the loan to be repaid to the PIER Program by June 30, 2005.

Action:

Issue 2: At the Subcommittee's May 1, 2003 hearing, the California Climate Action Registry requested \$200,000 to finance various aspects of its work and to address additional statutory responsibilities. Specifically, the Registry would use the requested funding in the following ways:

- \$60,000 for software maintenance and hosting;
- \$40,000 for the development of forest management and sequestration protocols, required by SB 812 (Sher), 2002;
- \$75,000 for outreach to increase Registry participation; and
- \$25,000 for working on alternative compliance scenarios for greenhouse gas emissions.

The committee directed staff to evaluate the commission's budget to determine whether funds were available to transfer this funding to the Registry.

Staff Recommendation. Staff recommends transferring \$200,000 from Public Interest Research, Development and Demonstration Account to the California Climate Action Registry to fund its request.

Action:

Energy Resources Program Account (ERPA)

Background: The ERPA account funds most of the commission's basic programs, general operations and staffing. Revenues from this account derive from a two-tenths of a mill (\$0.0002) per kilowatt-hour charge on the consumption of electricity by California ratepayers. The commission expects ERPA revenues to total about \$46 million, an increase of 2 percent over the current year. CEC's expenditures from this account also total approximately \$46 million and represent slightly more than 13 percent of the commission's total proposed budget.

Issue 1: The commission's budget incorporates an ERPA reserve of over \$3 million. The May Revision proposes to transfer \$975,000 of that amount to the General Fund. The proposed transfer maintains a reserve of greater than five percent.

Staff Recommendation. Staff recommends approving a transfer of \$2 million from ERPA to the General Fund. This action would maintain an ERPA reserve of over \$1 million.

Action:

Issue 2: The commission may set the ERPA surcharge rate at a public meeting each November at a rate not to exceed \$0.0003 per kilowatt-hour. In November 2002, the commission set the ERPA surcharge at its current level, \$0.0002 per kilowatt-hour, and does not plan to adjust the surcharge at its November 2003 public meeting. If, before November 2003, unanticipated expenses arise or projected energy demand in the budget year decreases substantially, whether because of an increase in energy prices or otherwise, then the commission may decide to increase the surcharge at its November 2003 meeting, to take effect on January 1, 2004.

Assuming the same 2 percent increase in demand that the Governor's Budget projected (the commission says that that demand assumption is still reasonable), an increase in the ERPA surcharge of \$0.0001 per kilowatt-hour would generate \$23 million over the course of a full year. Because of the quarterly payment schedule, only revenue from the first quarter of 2004 would be transmitted from investor-owned utilities to the commission before the end of the 2003-04 budget year.

Staff recommendation. Staff recommends transferring an additional \$5.75 million from ERPA to the General Fund.

Action:

Power Plant Siting Program

Background. Supplemental report language in the 2002 Budget Act, the commission examined alternative fee structures for imposing fees on (1) developers seeking approval to site power plants and (2) generators for ongoing costs associated with compliance. In its report, the commission recommended that the Legislature not require the commission to collect developer fees to maintain the siting program's public perception of independence from the developers it evaluates.

Despite its recommendation, the commission evaluated various fee alternatives and rated them according to specified criteria. As the most favorable alternative, the commission identified a fee structure in which a developer would pay \$100,000, plus \$250 per MW of generating capacity up to \$350,000 (about half of the average cost to review an application). In addition, the commission suggests imposing a \$15,000 annual fee on power plant owners to cover ongoing compliance activities. This dollar amount represents the average annual cost to monitor power plant compliance.

The Legislative Analyst's Office (LAO) recommended that developers should pay a siting fee because they benefit from the siting program's activities and that this fee should not compromise the integrity of the siting program's work. Further, other states charge developers a siting fee and the additional project cost is minimal. In addition, the LAO recommended the \$15,000 annual compliance fee for power plant generators. LAO suggests that these fees could result in a minimum of \$990,000 in revenue in the budget year. Any fee revenues received in the budget year would result in corresponding savings in ERPA funds.

Staff recommendation. Staff recommends that the committee:

- 1) Approve a siting fee for developers of power plants in the amount of \$100,000, plus \$250 per MW of generating capacity up to \$350,000;
- 2) Approve the assessment of a \$15,000 annual fee on power plant owners to cover ongoing compliance activities;
- 3) Approve a transfer of \$990,000 from ERPA to the General Fund to account for the savings created by the fee.

Action:

Renewable Resources: Customer Credit Program

Background: In September 2000, the Legislature authorized the commission to continue to collect \$135 million annually from ratepayers, to fund the Renewable Energy Program for the following five years. SB 1038 (Sher -- Chapter 515, Statutes of 2002) earmarked 10 percent of that amount (\$13.5 million) annually, for the customer credit program. That statute also required the commission to report to the Legislature by March 31, 2003 on “how to most effectively utilize the funds for customer credits, including whether, and under what conditions, the program should be continued.” In April 2003, the committee reported its recommendation to discontinue the customer credit program due to 1) the uncertainty of the direct access market and customer choice and 2) the Legislature’s adoption of the Renewable Portfolio Standard.

The commission has the authority to reallocate these resources among the other sub-accounts within the Renewable Resources Trust Fund, with the exception of the Existing Renewable Resources Account. It would need additional statutory authority to transfer funds to the existing account for other uses.

Staff recommendation. In an earlier hearing, the committee reviewed the need for additional funds to help reduce Central Valley air pollution through the provision of incentives to clean burning biomass plants that use agricultural waste that would otherwise be burned in open fields. Staff recommends approving a one-time reallocation of \$6 million from the customer credit program to the Existing Renewable Resources Account for this purpose, notwithstanding current law.

Action:

Local Government Geothermal Resources Development Acct.

Staff recommends the transfer of a total of \$1,594,000 from the Local Government Geothermal Resources Development Account (LGGRDA) to the General Fund. This total includes a transfer of \$1.014 million, proposed by the May Revision, and a further transfer of \$580,000 that the CEC expects to carry over from the current year. The account funds the Geothermal Program, which offers grants and loans to local jurisdictions and private entities for geothermal-related research and development projects. Federal geothermal royalty payments support the program, and the payments may be used for any purpose.

Staff recommendation. Staff recommends approving the transfer of \$1,594,000 from the LGGRDA to the General Fund to support higher priority programs.

Action:

8660 Public Utilities Commission

The commission regulates privately owned utilities, such as gas, electric, telephone and railroad interests. It regulates some passenger and household goods carriers. The commission's primary objective is ensure adequate facilities and services for the public at equitable and reasonable rates.

Items on the Proposed Consent Calendar

Finance Letter - Expert Witnesses Related to PG&E Energy Procurement Cost Lawsuit

It is requested that Item 8660-001-0462 be increased by \$1,920,000 for expert witnesses to assist PUC with defense of a lawsuit filed by Pacific Gas and Electric Company (PG&E) that, if won by PG&E, could allow the utility to raise electricity rates to collect between \$3.0 billion and \$8.0 billion from ratepayers.

Finance Letter – Contracted Legal Services Related to the PG&E Bankruptcy

It is requested that there be a one-time increase of \$8,030,000 in external consultant services to provide expert technical advice on bankruptcy law and to continue to represent the Commission in PG&E bankruptcy proceedings/

Issues

Energy Action Plan – Legislative Oversight and Accountability

Background: California's energy policies are overseen by at least five different entities: The California Public Utilities Commission (CPUC), the California Energy Commission (CEC), the California Power Authority, the Department of Water Resources, California Energy Resources Scheduling (CERS), and the Electricity Oversight Board. (In addition, at least one state/FERC-jurisdictional entity, the Independent System Operator (ISO), and two other agencies, the Department of Justice and the Electricity Oversight Board, have involvement in the state's energy system).

In the aftermath of the 2001-02 energy crisis, little emphasis has been placed on ensuring that the state's energy apparatus is more efficient, better organized, and more thoroughly prepared to prevent the recurrence of the crisis in the future. Moreover, utility rates are high, energy conservation has tapered off since the public's perception of the crisis has diminished, many energy power plants are still inefficient and high polluting, and state agencies like the Public Utilities Commission often seemed vexed as to its role as regulator or deregulator.

Energy Action Plan: This past March, California's principal energy agencies issued a draft "Energy Action Plan."

The goal of the Energy Action Plan is to:

Ensure that adequate, reliable, and reasonably priced electrical power and natural gas supplies, including prudent reserves, are achieved and provided through policies, strategies, and actions that are cost-effective and environmentally sound for California's consumers and taxpayers.

The plan stated that “These initiatives will send a signal to the market that California is a good place to do business and that investments in the more efficient use of energy and new electricity and natural gas infrastructure will be rewarded. Our approach recognizes that we currently have a hybrid energy market and that state policies can capture the best features of a vigorous, competitive wholesale energy market and renewed, positive regulation.”

The 2003-04 budget summary makes no explicit reference to the state’s energy woes. In contrast, the 2002-03 budget summary contained a separate section devoted exclusively to “Achieving Energy Independence.”

Staff Comments: The subcommittee reviewed the Energy Action Plan at its earlier hearing on these agencies’ budgets. The plan appears to be the primary process the Administration has undertaken to ensure the 2001-02 energy crisis does not reoccur. It is imperative that the final Energy Action Plan contain specific goals and benchmarks, clearly defined departmental roles, and established timelines so that progress and accountability can be clearly measured by the Legislature.

Staff Recommendation. Staff recommends that the subcommittee direct it, in consultation with the LAO and the appropriate agencies, to develop supplemental reporting language to ensure that the agencies follow through on their commitments for increased energy conservation and renewable energy and that they keep the Legislature apprised of their progress.

Action:

Office of Economic Development

Background: In his January State of the State Address, the Governor stated that he would “ask the Public Utilities Commission to create an Office of Economic Development to review all major proceedings before the PUC to determine their benefit to the economy, infrastructure and job creation.”

While no budget proposal has been made by the Administration, the Commission, on its own initiative, has recently established the office, designated an interim executive director and solicited for other positions in the office. The Commission states that this initiative for the budget year will be accomplished within existing resources.

Staff Recommendation: There is no policy or fiscal authority in law for the commission to undertake the creation of the office. The staff recommends that the committee adopt budget trailer bill language establishing the office and setting forth procedures and criteria for its operation.

Action:

Audit Backlog Report

Background: In a recent supplemental report to the Legislature, the PUC documented a significant backlog in its audits. The Public Utilities Code requires the PUC to conduct audits of public utilities every

three years pursuant to Sections 582 and 797. The mandated audit are generally financial and operation in nature and typically result in Commission decision or orders, often including enforcement actions, that benefit the ratepayer.

The report identified significant backlog of audits with all the major energy utilities in California. In the telecommunications division, the Commission identified 12 audits in backlog with large telecommunication carriers (over 1000 customers) and has not conducted an audit of small telecommunication carriers for over 10 years. The Commission also identified a backlog of 98 audits of the small water utilities under its jurisdiction.

Staff Comments: The PUC has stated that these backlogs are the result of a chronic shortage of auditors to maintain the 3-year audit requirement of the Public Utilities Code. The shortage is a result of lack of funding in the audit program and increasing vacancies resulting from the current hiring freeze. The PUC has stated that additional contracting authority of \$2.321 million to hire contracted auditors would allow the Commission to address its backlog and maintain its ability to meet the 3-year audit requirement.

Staff Recommendation: Staff recommends the subcommittee augment the PUC's budget by \$2,321,000 for additional contracting authority for outside consultants to address the audit backlog.

Action:

Finance Letter - Consumer Affairs Branch Bilingual Services

Finance Letter Request: It is requested that Item 8660-001-0462 be increased by \$389,000 and eight positions to provide limited English-speaking utility customers with service and product information and to assist these customers with service or billing complaints. The Public Utilities Commission (PUC) will use these resources to meet the growing number of complaints and questions filed by limited English-speaking customers.

LAO Recommendation: The LAO believes that the new multilingual customer service positions are not justified. The LAO finds that the customer service division's current staff of 30 persons is sufficient to handle the volume of calls currently received by the commission. Based on the workload data provided by the commission the customer service division on average can accommodate up to 225 calls from limited English proficient customers per hour. However, the commission is currently handling only around 200 calls from all types of customers per hour.

The LAO also find that the commission's proposal is a less cost effective alternative for meeting the needs of limited English proficient customers calling the commission. The commission currently has three customer service staff that speaks Spanish and contract for translation assistance for other limited English proficient customers calling the commission. This external contract for translation assistance has cost the commission an average of \$34,000 annually over the past three years. It would be significantly less expensive to continue contracting for external translation assistance rather than hiring eight new positions at this time.

Staff Recommendation: In light of the LAO's findings, staff recommends denying the Finance Letter.

Action:

Finance Letter –Teleconnect Fund Loan to the General Fund

Finance Letter Request: The Governor's May revision proposes a \$136.0 million loan from the California Teleconnect Fund Administrative Committee Fund to the General Fund. The California Teleconnect Fund Program offers discounts on telecommunications services, such as business lines and broadband services, to qualifying schools, libraries, hospitals and community-based organizations. However, the program has been underutilized, due in part, to a competing federal program that offers similar discounts on telecommunications services. As a result, \$136.0 million could be loaned to the General Fund, leaving approximately \$70 million, with no programmatic impact.

Background: The commission has had numerous problems in administering this program and in recent years has accumulated a large surplus balance in the Teleconnect Fund. This has led to a recent decision by the commission to suspend collection of the surcharge that supports the Teleconnect Program until the balance is reduced.

LAO Recommendation: The LAO found significant weaknesses with the PUC's California Teleconnect Program. Specifically:

- **Program Has Not Met Projected Goals** - The commission has only paid out approximately \$84,000 in the current year, far below the \$159 million estimated for expenditure.
- **Application Process Overly Complex** - The application process is a time-consuming and frustrating process that is exacerbated by inconsistent management of the program.
- **Subsidy Does Not Always Reach Those Most In Need.** - The federal program provides its subsidies based on the number of students eligible for the National Free Lunch Program. However, the state program provides a flat discount without regard to the financial needs.
- **Program Accountability Inadequate.** – The LAO have found that the commission's current oversight of the program is inadequate.

Therefore, the LAO recommends:

1. Reducing the appropriations to the Teleconnect Program in the budget year to \$10 million so that they are consistent with actual historical expenditures. This would result in an additional \$60 million that could be loaned or transferred to the General Fund in the budget year.
2. The LAO also recommends the subcommittee loan an additional \$60 million to the General Fund along with the \$136 million proposed by the Governor's May Revision.
3. The LAO also recommends the subcommittee adopt supplemental report language that requires the commission to develop a plan and budget proposal for the Teleconnect Program that addresses ways to solve the current shortcomings of the program.

Staff Comments: Staff agrees with the LAO proposal, however there is concern that should claims exceed the Teleconnect Fund, the PUC would raise the ratepayer surcharge to augment the fund.

Government Code Section 16320 governs loans made in the budget year. The statute allows the Director of Finance, with Legislative notification, to repay a all or a portion of the loan should there be a deficiency in the fund.

Staff Recommendation: Staff recommends the subcommittee adopt the LAO recommendation to reduce the Teleconnect Fund appropriation to \$10 million, loan an additional \$60 million for a total of \$196 million loan, and adopt supplemental report language to address the identified issues. Staff also recommends the subcommittee adopt trailer bill language that would prohibit the increasing of ratepayer

rates should claims exceed the fund balance because of this loan and direct the PUC to go through the Government Code 16320 to provide the necessary funds for the program while the loan is in place.

Action:

8665 California Consumer Power and Conservation Financing Authority

The responsibilities and powers of the California Power Authority (CPA) are detailed in Sections 3300 through 3384 of the Public Utilities Code. The code authorizes the CPA to finance the following with revenue bonds:

- The construction of generation facilities (Sections 3350 and 3351),
- Loans for the purchase of equipment, improvements and appliances with energy efficiency or renewable energy characteristics (Sections 3365 through 3367.5).

Issues

Request for Contract Consultant Flexibility

Background: The CPA has requested that the subcommittee adopt trailer bill language that would provide it with the flexibility to hire several contract consultants without being subject to Department of Personnel Administration constraints. The CPA

The requested language is as follows:

Section 3340 of the Public Utilities Code is amended as follows:

3340. The authority is authorized and empowered to do any of the following:

- (a) Adopt an official seal;
- (b) Sue and be sued in its own name;
- (c) Employ or contract with officers and employees to administer the authority. The authority may contract for the services of a chief executive officer, who shall serve at the pleasure of the board. If the chief executive officer contracts for the services of other persons as needed to effectuate the purposes of this division, the contract shall be subject to the approval of the board. **Contracts for the services of the chief executive officer and other professionals, not to exceed three in number, shall not be subject to any otherwise applicable provisions of the Government Code and Public Contract Code.**

Staff Recommendation. The subcommittee may wish to approve the CPA-proposed trailer bill language if it deems the request necessary to the future goal of the CPA becoming financially self-sufficient.

Action:

8770 Electricity Oversight Board

The Electricity Oversight Board (EOB) is part of the regulatory oversight structure that was established by the legislation restructuring California's electricity industry in 1996. The board is charged with ensuring the reliability of the electricity transmission system and in the power market.

Elimination of the Electricity Oversight Board

Background: Originally, the Electricity Oversight Board (EOB) was supposed to serve as an appellate body for decisions of the Independent System Operator (ISO) and Power Exchange (PX) governing boards. The Federal Energy Regulatory Commission (FERC) exception to these provisions and, in 1998, ordered the ISO to change its bylaws to eliminate the EOB's appointment function, as well as the EOB's authority to approve ISO bylaws and hear appeals of ISO governing board decisions. Along with the demise of the PX, the EOB's remaining functions are to investigate wholesale electricity market activities and participate in FERC proceedings as one of the state's representatives.

This bill repeals the provisions of law establishing, and granting powers to, EOB. This bill also repeals the requirement for ISO to adopt inspection, maintenance, repair and replacement standards for transmission facilities and repeals other, obsolete provisions related to the ISO and the PX.

Staff Comments: According to the EOB's web site, EOB staff report directly to the Governor's office. Over the past few years, the board itself has provided little policy guidance, has met sporadically, has taken no significant formal actions, and has been marked by high turnover and vacancies. While the work performed by EOB staff has continuing value, it could likely be conducted in much the same manner under the auspices of the Governor's office without the formal board structure.

SB 920 (Bowen), currently pending in the Senate, proposes elimination of the statutes authorizing and governing the Electricity Oversight Board. This bill simply repeals the statutes establishing the EOB, without providing a successor. Although the original oversight function may be obsolete, there is a certain amount of "equity" associated with the Board of the EOB, such as outstanding legal claims on behalf of the state in EOB's name, which may need to be assigned to another agency to preserve the state's rights if the EOB is abolished.

If the Board of the EOB is eliminated and staff functions transferred to the Governor's Office, it would result in minimal budgetary savings of approximately \$500 annually.

Staff Recommendation: Staff recommends the subcommittee adopt trailer bill language that eliminates the 5-member board of the Electricity Oversight Board and associated statutory responsibilities; and transfer staff and oversight to a new office under the Governor's Office.

Action:

0690 Office of Emergency Services

The Office of Emergency Services (OES) coordinates emergency activities to save lives and reduce property losses during disasters and acts as the state's conduit for federal assistance related to recovery from disasters. OES provides leadership assistance and support to state and local agencies in planning and preparing for the most effective use of federal, state, local, and private resources in emergencies. The emergency planning is based on a system of mutual aid in which a jurisdiction first relies on its own resources and then call for assistance from its neighbors.

Issues

Finance Letter – Disaster Service Workers' Volunteer Program

Finance Letter: It is requested that Item 0690-115-0001 be added in the amount of \$663,000 to restore the Disaster Service Workers' Volunteer Program (DSWVP) which was initially proposed for reduction in the January Governor's Budget. The DSWVP provides workers' compensation coverage to registered disaster service worker (DSW) volunteers who are injured while performing disaster-related activities. State and local governments rely on the 20,000 registered DSW volunteers in California who dedicate their time and expertise during and after a disaster or local emergency. This proposal includes related amendments to current trailer bill language that was proposed in the Governor's Budget. It is also requested that Budget Bill language be added to specify the use of the funds as follows:

0690-115-0001—For local assistance, Office of Emergency
Services, for volunteer disaster service worker's compensation.....663,000
Provisions:

1. The funds appropriated in this item shall be used to pay approved volunteer disaster service worker's compensation claims and administrative expenditures related to the payment of such claims by the State Compensation Insurance Fund.
2. The Office of Emergency Services shall evaluate alternatives for the administration and funding of this program in future fiscal years, including consideration of a cost sharing relationship between the State and local government entities who use volunteers.

It is also requested that Item 0690-001-0029 be increased by \$1,000 and that Item 0690-001-0001 be amended to reflect this change, and Item 0690-101-0029 be increased by \$2,000 to provide the remainder of the consumer price index (CPI) increase that is statutorily given to this fund. This increase will align the CPI adjustment that was made in the fall with the actual CPI for the 2002 calendar year.

LAO Recommendation: The LAO not have any issues with the restoration of the Disaster Service Workers' Volunteer Program or proposed increases of \$1,000 and \$2,000 due to the consumer price index. However the LAO does recommend that Provision 2 of the proposed budget bill language be changed to provide additional legislative oversight. The proposed change is as follows (changes in italics):

2. *On or before April 1, 2004, the Office of Emergency Services shall provide to the chairs of the budget subcommittees, in each house and the Chair of the Joint Legislative Budget Committee an evaluation of the alternatives* for the administration and funding of this program in future fiscal

years, including consideration of cost sharing relationship between the state and local government entities who use volunteers.

Staff Recommendation. Staff recommends adopting the Finance Letter with the LAO proposed amendments.

Action:

3780 Native American Heritage Commission

The nine-member Native American Heritage Commission (NAHC) preserves and protects California Native American cultures. The commission's powers and duties include: identifying, cataloging, and preserving geographic sites of importance to Native Americans; helping Native Americans obtain access to these sites when necessary; protecting Native American burial and sacred sites; and ensuring that remains are treated appropriately when burial sites are discovered.

Items on the Proposed Consent Calendar

Finance Letter - Budget Augmentation

It is requested that Item 3780-001-0001 be increased by \$247,000 and three positions be added to review the timber harvest plans, Negative Declarations, and Environmental Impact reports. The increase resources are necessary to preserve and protect Native American traditional cultural sites and to identify mitigation measures as is necessary.

8690 Seismic Safety Commission

The Seismic Safety Commission was established to improve earthquake preparedness and safety in California. Specifically, the commission is responsible for providing a consistent framework for earthquake-related programs and coordinating the administration of these programs throughout state government. The 17-member commission performs policy studies, reviews programs, investigates earthquake incidents, and conducts hearings on earthquake safety. The commission advises the Legislature and the Governor on legislative proposals, the state budget, and grant proposals related to earthquake safety.

Issues

Seismic Safety Fee

Background: The Administration proposes shifting the funding source for the Commission from the General Fund to a newly created Seismic Safety Account within the Insurance Fund. The Seismic Safety Account would be funded through a proposed \$1 fee on all earthquake policies within the state.

Issue: Staff identified several issues with the Administration's proposal, specifically that the fee would generate approximately \$1.3 million, while the Commission's budget would only allocate \$884,000 from the account. The Department of Insurance also identified issues with the collection mechanism, among other concerns with the proposal.

Staff Comments: Staff has worked with the Commission and the Department of Insurance in development of the following proposed trailer bill budget language:

- An assessment would be assessed on insurers, not the insured, as a prorated percentage of premiums earned on earthquake insurance policies for both commercial and residential exposures relative to the aggregate premiums earned on said policies by all insurers.
- The insurers can recover this assessment cost from the insured.
- The amount assessed would be the appropriated allocation for the Commission from the Seismic Safety Account by the Legislature.

Staff Recommendation: Staff recommends the subcommittee approve the proposed trailer bill language.

Action:

8570 Department of Food and Agriculture

The department mission is to promote and regulate the state's agricultural industry. In specific, the department promotes and regulates the department through (1) eradication and control of harmful plant and animal pests and diseases, (2) marketing, exporting, and other related assistance for various agricultural commodities, (3) assurance of true weights and measures in commerce, and (4) financial and administrative assistance to the state's 80 district, county, and citrus fairs.

Items on the Proposed Consent Calendar

Finance Letter - Analytical Chemistry Laboratory

During the November Revision, the Department of Pesticide Regulation (DPR) identified General Fund reductions for the CDFA programs that provide chemistry assistance to the DPR related to pesticide residuals in food products. The CDFA's budget was reduced accordingly. The DPR now proposes to offset the General Fund reductions with an increase in the mill assessment for the budget year. Therefore, it is requested that Item 8570-001-0001 be amended by increasing Reimbursements by \$1,489,000 to provide CDFA with the necessary authority to continue the analytical chemistry services for the DPR.

Finance Letter - Exotic Newcastle Disease

It is requested that Item 8570-001-0890 be increased by \$34,610,806 to provide the California Department of Food and Agriculture with the necessary authority to accept and expend federal funds

upon approval of the United States Department of Agriculture to detect, contain, and eradicate the Exotic Newcastle Disease. This is a highly contagious disease that affects poultry food production and infects most bird species. This disease has the ability to spread rapidly and has a high fatality rate. It is also requested that Item 8570-001-0001 be amended to reflect this change.

Finance Letter - Animal Adoption Mandate

It is requested that Item 8570-295-0001 be added to suspend the Animal Adoption mandate enacted under Chapter 752, Statutes of 1998. Local government animal control agencies care for stray and surrendered animal in California communities. Prior law had dictated that all animals impounded could be euthanized after three days. In 1998, SB 1785 (Hayden) extended the time minimum time for which an animal shelter or a public pound could be euthanized from three business days to four to six business days. This proposal requires budget bill language.

Issues

Medfly Preventive Release Program

Background: The budget proposes \$8.9 million from the General Fund and 138 positions to provide for Mediterranean Fruit Fly (Medfly) preventative control efforts on an ongoing basis.

Issue: It has been the intention of the subcommittee over the last two years to partially or wholly shift the state portion of this program from the General Fund to the Agriculture Fund. This year CDFA reported to the Legislature on several possible options on how the Medfly Preventive Release Program (PRP) could be shifted in whole, or in part from the General Fund to the Agriculture Fund.

Staff Comments: Staff has worked with CDFA on evaluating the various proposals identified in the report. Staff believes "Option 6, an Assessment on International Travel and Commerce" in the report has the strongest potential for providing a mechanism to shift this program to fee support. However, significant programmatic and legal details still need to be evaluated prior to adoption of this proposal.

Staff Recommendation: Staff recommends the subcommittee approve \$8.9 million (General Fund) for the Medfly PRP, for one year only. Staff also recommends directing CDFA to submit a report containing a detailed proposal to for an assessment on incoming travel and commerce.

Proposed Supplemental Report Language

The department shall, by December 31, 2003, submit to the Legislature, including the budget and fiscal committees of both houses, a report detailing a fee or assessment proposal on inspections of incoming agricultural products into the state to fund pest exclusion and eradication efforts.

Action:

Reductions to Weed & Vertebrate/Biological Controls Programs

Background: The Weed and Vertebrate Program and the Biological Control Program are CDFA's primary ongoing programs to respond, mitigate, and eradicate invasive exotic weeds and pests in California.

Issue: The subcommittee directed staff to analyze a proposed \$1.5 million reduction (\$915,230 from the Weed and Vertebrate Program and \$584,770 from the Biological Control Program) to the aforementioned programs. The proposed reductions would require a reductions in control and eradication efforts. Specifically, the programs will have to:

- Suspend eradication activities on 11 of 50 previously targeted species of noxious weeds;
- Reduction of 15.5 PYs, a reduction of approximately half the staff positions in these programs;
- Eliminated \$75,000 in support funds to county agricultural commissioners for priority noxious weed control and eradication activities in California's most highly invaded counties; and
- Discontinuing development of 8 biological control projects for weed eradication.

Staff Comments: Despite these reductions at the state level, significant noxious weed eradication efforts will continue at the local level through the efforts of the County Agricultural Commissioners and Weed Management Areas.

Staff Recommendation: Staff believes the above reductions are reasonable given the status of the General Fund and the continuing weed eradication efforts at the local level. Staff recommends approval as budgeted.

Action:

3930 Department of Pesticide Regulation

The department was created in 1991 as part of the California Environmental Protection Agency to protect the public health and the environment from unsafe exposures to pesticides. This function previously was carried out by the Department of Food and Agriculture. The department (1) evaluates the public health and environmental effects of pesticides, (2) regulates, monitors, and controls the use of pesticides in the state, (3) tests produce for pesticide residue levels, and (4) develops and promotes pest management practices that can reduce the problems associated with the use of pesticides. The department primarily is funded from taxes on the sale of pesticides in the state, various registration and licensing fees on persons who use or sell pesticides, and the General Fund.

Mill Assessment

Budget Proposal: The Governor's budget proposed an increase in the mill assessment and various* pesticides licensing fees to fully fund shift the Department of Pesticide Regulation's (DPR) General Funds to the DPR Fund. The Governor's proposal would allow the Director of the DPR to set the mill assessment at a rate to fully fund the department within a cap of 27 mills. Under the Governor's proposal, including Finance Letters, DPR's budget would be funded at the mill assessment rate of 27 in the budget year.

Staff Recommendation: In consultation with the LAO, the department, and other interested parties, staff has developed the following mill assessment proposal.

PROPOSED ALLOCATION OF MILL ASSESSMENT

<u>Governor's Budget</u>	<u>Mill</u>	<u>Amount</u>
Adopt Governor's Budget and Finance Letters for DPR	27	\$53,925,000
<hr/>		
<u>Staff Proposed Changes</u>	<u>Additional Mills</u>	<u>Amount</u>
Allocation for Farmworker Outreach, Education & Training	2	\$3,600,000
Additional revenue from increasing Pesticide Registration Fees	-3 ½	(\$6,600,000)
Partially Fund CAC's pesticide-regulatory activities	4 ½	\$8,000,000
Differential Mill Assessment level for Restricted Use Pesticides	-3	(\$5,994,000)
TOTAL	0	(\$994,000)*

* Proposal would result in a small reserve for the DPR Fund

The proposal does the following:

- Keep the mill assessment cap of 27 mills; and
- Establish a differential mill assessment of 45 mills for restricted use pesticides; and
- Increase pesticide registration fees to fully fund the registration program (\$6.6 million); and
- Allocate 2 mills (\$3.6 million) to farm worker outreach, training, and education on pesticide worker safety issues; and
- Allocate an additional \$8 million for the County Agricultural Commissioners (CAC's) for pesticide-related activities at the local level. This is accomplished by increasing the CAC's allocation of the standard mill from 6 to 7 ½ mills and allocating all additional revenue generated from the higher restricted use pesticides mill assessment to the CAC's.

FURTHER DETAILS OF MILL ASSESSMENT PROPOSAL:

PROPOSAL (in thousands)	AMOUNT	MILL
DPR BUDGET: The Governor's budget proposed an increase in the mill assessment and various pesticide licensing fees to fully fund shift the Department of Pesticide Regulation.	\$48,794	25
FINANCE LETTERS: In April, the Governor proposed through a Finance Letter to a restoration of various program reductions at the DPR and the Office of Environmental Health Hazard Assessment from the DPR Fund. Personal Services Deficiency \$943,000 Restricted Materials Use Permits – CACs \$576,000 Resotration of various DPR programs \$1,166,000 Fund Shift to OEHHHA for funding pesticide related activities \$800,000	\$4,131	2
FARMWORKER TRAINING: Sen. Romero's SB 533, currently in the Senate, proposed several changes to the mill assessment. One proposal, would allocate 2 mills to farmworker outreach, education, and training efforts regarding pesticide usage, exposure, and illness. Staff recommends allocating 2 mills to farmworker outreach.	\$3,600	2

COUNTY AGRICULTURAL COMMISSIONER PROPOSAL: The County Agriculture Commissioners (CACs) currently serve as the local enforcement agents for federal and state pesticide laws and regulations. The CACs provide over 300 inspector staff years annually to enforce California's environmental laws relating to pesticides. Currently, 6 mills of proposed 25 mills would be allocated to the CAC's for local pesticide regulatory activities. The level of funding provided by the mill assessment is insufficient to cover pesticide regulatory activities at the CAC level. County's currently provide \$16.1 million of county general funds toward pesticide regulatory activities in addition to the mill assessment allocation they currently receive. Staff recommends approval.	\$8,000	4 ½
INCREASE PESTICIDE REGISTRATION FEES : The LAO identified in Governor's budget that while the mill assessment and licensing fees are proposed to be increased to cover their related program costs, the pesticide registration fee was not increased to cover the pesticide registration program. The LAO recommended that registration fees be increased from \$200 to \$750 per registration to cover the costs of the program. This proposal would generate an additional \$6.6 million in revenue to the DPR Fund. Staff recommends approval	\$6,600	3 ½
ADDITIONAL MILL ASSESSMENT FOR RESTRICTED USE PESTICIDES: Restricted Use Pesticides (RUPs) are those pesticides deemed such a threat to the environment and public health, that additional permitting and oversight of its use is required. Currently, a large portion of the CAC's pesticide-related activities are the result of additional permitting and oversight requirements of RUPs. Therefore, staff recommends an additional 18 RUPs mill assessment be assessed on top of the regular mill assessment of 27 mill, for a total of 45 mills. Staff also recommends that since the most additional workload from RUPs occur at the local level, that all additional revenue generated from this higher mill be allocated to the CACs.	\$5,994	3

Staff Recommendation: Staff recommends the subcommittee adopt the mill assessment proposal.

Action:

3900 Air Resources Board

This Board is responsible for achieving and maintaining satisfactory air quality in California. This responsibility requires the Board to establish ambient air quality standards for certain pollutants, regulate vehicle emissions, identify and control toxic air pollutants, administer air pollution research studies, develop and oversee implementation plans for the attainment and maintenance of both state and federal air quality standards and oversee the regulation of sources of pollution by air pollution control districts.

Issues

Funding the Stationary Source Program

Background: The Administration proposes a stationary source fee increase of \$10.0 million to backfill an equal reduction in General Fund support for this program under the polluter pays principle.

The stationary source program works with the local air pollution control districts to reduce emissions from stationary sources to comply with state and federal laws. During the mid-year budget revision process, the Legislature adopted and the Governor signed AB 10X (Oropeza) authorizing a stationary source fee increase to be appropriated by the Legislature through the budget process.

LAO Recommendation: The LAO believes the Governor's proposal does not go far enough and has identified an additional \$4.4 million of the remaining \$10.4 million of General Fund in the program that could be funded from the fee. The remaining \$6 million funds the research division of the stationary source program which the LAO believes should remain in the General Fund.

Staff Recommendation: Staff recommends the subcommittee approve the LAO proposal to shift an additional fee \$4.4 million above the additional \$10 million fee shift to fund the stationary source program. Staff also recommends that the subcommittee adopt supplemental report language to have the ARB report to the Legislature by October 1, 2003 on the final fee structure adopted for the stationary source program.

Action:

Power Plant Emission Control Systems

Background: The 2001-02 Budget Act authorized the State Air Resources Board to establish a program for the granting of emission reduction credits to sources of air pollution that are powerplants in order to ensure that those plants could operate during the state energy crisis without increasing air pollution. In addition, Chapter 12 Statutes of 2001 directed the state Air Resources Board by July 1st of last year, in consultation with air districts and other agencies to establish a schedule for the retrofit of existing fossil fueled electricity powerplants to reduce air emissions from those facilities. The law also directed the California Energy Commission and the state board to ensure that new powerplants complied with state of the art emissions controls.

Since the legislation were enacted, several new emission reduction technologies have been developed that purport to reduce emissions without some of the ancillary and detrimental environmental effects (e.g. the use of ammonia and other toxic materials that must be stored on site or trucked onto plants). It is unclear if these technologies meet the ARB's requirements for Best Area Control Technology (BACT) while reducing other adverse environmental effects.

Staff Recommendation: Staff recommends that the subcommittee adopt the following supplemental reporting language requesting the board to evaluate these technologies and report to the Legislature on their effectiveness and environmental benefits.

Proposed Supplemental Report Language

Power Plant Emission Control Systems: On or before March 1, 2004, the state Air Resources Board shall report to the Legislature and the Governor on the benefits, detriments, and advisability of using technologies that reduce or eliminate NOx emissions from gas-fired power plants and that do not use or produce toxic or hazardous materials or create other significant adverse environmental impacts.

This report shall be prepared in consultation with the appropriate policy and fiscal committees of the Legislature, air districts, and the public.

Action:

3910 Integrated Waste Management Board

The mission of the Board is to promote source reduction, recycling, composting, and environmentally safe transformation (in that priority order) as alternatives to the disposal of solid waste at landfills. The Board also protects the public health and safety through the regulation of existing and new solid waste land disposal sites.

Items on the Proposed Consent Calendar

Finance Letter - Federal Grant Expenditure Authority

It is requested that Item 3910-001-0890 be increased by \$50,000 to provide federal expenditure authority for two new federal grants. These one-time grants would provide a total of \$50,000 per year over a two-year period to: (1) develop model containing business and marketing data for recycling and composting businesses, and (2) develop training materials to educate State agency travel coordinators regarding the State's Environmentally Preferable Purchasing efforts. It is also requested that Item 3910-001-0387 be amended to reflect this action.

Issues

Funding of Research for or Promotion of Tire Incineration

Background. The subcommittee has received several letters from environmental groups expressing concerns about the Board's five-year plan for the management of used tires which is intended to ensure that they do not pile up in landfills and become a hazard. These letters state opposition to the board's proposal to allow for the expenditure of tire funds collected from the public to fund the tire recycling program to research and promote the burning of tires in cement kilns.

Staff Recommendation. The subcommittee may wish to adopt budget bill or trailer bill language prohibiting the board from subsidizing tire incineration with public funds.

Action:

Restructuring of the Integrated Waste Management Board

Background. The Integrated Waste Management Act was enacted in 1989 under AB 939 (Chapter 1046, Statutes of 1989). At the time, the state was in the midst of a solid waste “crisis” of sorts in which regional disposal capacity was limited, reduction and recycling programs existed in only a few jurisdictions, and the then-Solid Waste Management Board was a part-time nine-member board that did not appropriately reflect the diversity of interests involved in integrated waste management.

AB 939 established comprehensive requirements for development and implementation of locally adopted and state-approved integrated waste management plans, created a full-time integrated waste management board with public, industry, and environmental representatives, and gave the board explicit policy direction to promote the integrated waste management hierarchy of source reduction, recycling, composting, environmentally safe transformation and landfilling. Perhaps most significantly, the act required local governments to divert 50% of solid waste from disposal by the year 2000.

In the 13 years since the act became law, the integrated waste management program has matured; today, most local governments have adopted and implemented programs to reduce, recycle, and compost solid waste. The board has reviewed and approved hundreds of local integrated waste management plans and implemented other related statutory provisions of the Act.

Staff Comments: The question has arisen over whether the structure and makeup of the board, as well as many key provisions of the act, should be updated and revisited based on maturation of the program. Moreover, and in a time of severe budget constraints, the question of efficiency of expenditures (regardless of whether they are from the General Fund or the Integrated Waste Management Account) should be explored.

Table 1 displays the current structure and salaries of the various boards and their staff under the Secretary for Environmental Protection. A structure similar to the Air Resources Board may be more appropriate in light of the maturity of the integrated waste management program.

TABLE 1 – Cal EPA Board and Staff Structures

INTEGRATED WASTE MANAGEMENT BOARD

Board

1 Chair	Full-time	\$117,818 Annually
5 Members	Full-time	\$117,818 Annually

Staff

6 Advisors	Full-time	\$7,105-7,684 Monthly
6 Committee Analysts	Full-time	\$3,271-5,748 Monthly
6 Executive Assistants	Full-time	\$2,926-3,556 Monthly
1 Administrative Asst	Full-time	\$3,255-4,140 Monthly
1 Office Technician	Full-time	\$2,390-2,905 Monthly

AIR RESOURCES BOARD

Board

1 Chair	Full-time	\$117,816 Annually
5 Members	Part-time	\$ 36,252 Annually

Staff

1 Advisor (Chair)	Full-time	\$8,201-8,870 Monthly
2 Administrative Asst II	Full-time	\$3,915-4,759 Monthly
1 Administrative Asst I	Full-time	\$3,255-4,140 Monthly
1 Executive Secretary	Full-time	\$2,688-3,268 Monthly

WATER BOARD

Board

1 Chair	Full-time	\$117,818 Annually
4 Members	Full-time	\$114,191 Annually

Staff

5 Executive Assistants	Full-time	\$2,926-3,556 Monthly
1 Assoc Govtl Prog Analyst	Full-time	\$3,915-4,759 Monthly

Staff Recommendation: Staff recommends the subcommittee adopt trailer bill language which restructures the waste board, reduces costs associated with board members and staff, consolidates programs as needed, and provides budgetary savings.

Action:

3940 State Water Resources Control Board

The Board regulates water quality in the state and administers water rights. The Board carries out its water quality control responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control boards establish water discharge requirements and carry out water pollution control programs in accordance with state Board policies. The Board's water rights responsibilities involve issuing and reviewing permits and licenses to applicants who wish to appropriate water from the state's streams, rivers, and lakes.

Water Rights Fees

Budget Proposal: The budget proposes \$8.7 million for the water rights program, a 20 percent reduction in the funding from the current year. The reductions are accomplished by a proposed reduction of \$3.3 million in General Funds and 15.5 PYs to the water rights program. The Legislature recently approved current-year reductions to the water rights program of \$610,000.

Background: The SWRCB's water rights program is responsible for (1) issuing new water rights for water bodies that have not already been fully "allocated" to water rights holders, (2) approving changes to existing water rights, and (3) conducting ongoing enforcement and compliance monitoring of water rights.

Issue: Currently, water rights applicants pay a one-time nominal application fee, which varies depending on the amount of the proposed diversion and/or storage. Applicants proposing large water diversions that are likely to have an impact on the environment pay for the preparation of any environmental documents required to comply with CEQA. The minimum application fee is \$100 and was established in the mid-1980s. The current fee generates approximately \$30,000 for the water rights program, or about 1 percent of program expenditures.

Workload Backlog: The LAO identified significant backlogs in the review and issuances of water rights by the board. Currently, the board receives about 170 applications a year, and at the current-year funding level processes around 150 applications per year. The board also issues approximately 125 licenses annually on completed projects with over 1,000 permittees waiting. In addition, the board conducts about 120 inspections on current water rights holders, or less than 1 percent of water rights granted.

LAO Recommendation: The LAO recommends that the existing application fee be increased and a new annual compliance fee be created so that fee revenues replace General Fund support budget (\$7.2 million) for the water rights program. The LAO further recommends the enactment of legislation to establish a special fund for the deposit of the revenues generated by the water rights fees.

Staff Recommendation: In light of the identified backlog, staff recommends the subcommittee adopt trailer bill language to increase the water rights application fee and establish an annual compliance fee to shift \$7.2 million in General Fund and restore \$3.3 million in proposed reductions to fees.

Action:

General Fund Reductions and Waste Discharge Permit Fees

Budget Proposal: The Governor's budget proposes a fund shift of \$13.6 million from the General Fund to the Waste Discharge Permit Fund to fund the Core Regulatory Program. The shift would be accomplished by a proposed increase in the waste discharge permit fee and the storm water permit fee. This proposal would eliminate all General Fund support for Core Regulatory Program activities.

Issue: Despite these fee increases, the Governor's budget also proposes \$11.3 million in General Fund reductions and 13.2 PYs to various water quality activities. The proposed reductions specifically impact water quality monitoring activities with a proposed reduction of \$6.8 million, over 60% of the total reduction. Water monitoring activities (particularly for groundwater quality) is a basic function of the Water Board, and is essential to permitting and enforcing water quality standards. The Board has indicated that such reductions will substantially curtail its current water quality monitoring efforts, and thus its ability to effectively carry out its mission and mandates.

Staff Comments: During the recent mid-year revision process, the Legislature adopted and the Governor signed AB 10X (Oropeza) authorizing a waste discharge permit fee increase to be appropriated by the Legislature through the budget process. The bill states that waste discharge permit fees should be appropriated to recover costs incurred in connection with the issuance, administration, reviewing, monitoring, and enforcement of waste discharge requirements and waivers of waste discharge requirements.

Staff Recommendation: Given the severe impact of these reductions to water quality monitoring activities in the state, staff recommends the subcommittee backfill the \$6.8 million reduction to water monitoring and assessment programs from the waste discharge permit fund by a further increase in the waste discharge permit fee.

Action:

Prop. 50 – Ocean Observing System

Background: Last year the Legislature allocated \$7 million to begin the development of an ocean current mapping project to provide data on the movement of contaminants through coastal waters. This data is needed to prioritize investments in coastal pollution control infrastructure and to identify and track sources of major threats to human health and sensitive marine resources.

Issue: Environmental groups have notified the subcommittee that the program is in need of an additional \$14 million for monitoring equipment statewide. The Coastal Conservancy has funds available for half of the costs, however funds have yet to be identified for the remaining portion.

Staff Recommendation: Staff recommends the subcommittee allocate \$7 million to SWRCB from Prop 50 (Section 79543 – Clean Beaches) for this program to match funds from the Coastal Conservancy for equipment needs related to the expansion of the Ocean Observing System.

Prop. 50 - Assisting Agriculture in Complying with Water Quality Requirements

Background. Proposition 50 makes funds available for water quality improvement. One area where funds are needed is to assist agriculture in complying with new water quality permitting and waste reduction requirements.

Staff Recommendation. Staff recommends that the subcommittee adopt the following budget bill language to assist agriculture in water quality compliance:

3940-101-6031--For local assistance, State Water Resources Control Board, for payment to Item 3940-101-0001, payable from the Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002 . . . 122,488,000

Provisions:

1. Notwithstanding any other provision of law, the amounts appropriated in this item shall be available for expenditure during the 2003-04 fiscal year to provide grants for projects to reduce or eliminate the discharge of agricultural pollutants pursuant to Public Resources Code Section 30935(d) and 30940.
2. Funds shall be available for grants to reduce agricultural discharges to surface or groundwater. Grants shall be given to projects with the greatest potential to reduce pollutants and protect water quality and that use qualified impartial experts to document and verify results through water quality monitoring or other means.

3960 Department of Toxic Substances Control

The department's mission is to protect the public health and the environment from unsafe exposure to toxic substances. In so doing it (1) regulates hazardous waste management, (2) cleans up sites that have been contaminated by toxic substances, and (3) promotes methods to treat and safely dispose of hazardous wastes and reduce the amounts of hazardous wastes that are generated in the state. The department is primarily funded from fees and taxes assessed on persons that generate, store, treat, or dispose of hazardous wastes.

Items on the Proposed Consent Calendar

Restoration of Funding for Eliminated Positions

It is requested that Item 3960-001-0014 be increased by \$163,000. Section 31.60 directed the Director of Finance to eliminate 6,000 vacant positions and the associated funding. Section 31.70 authorized the Director of Finance to restore a portion of the funding eliminated pursuant to Section 31.60 to ensure that

departments have an adequate level of funding. The Director of Finance approved a restoration of \$163,000 from the Hazardous Waste Control Account pursuant to Section 31.70 in the current year for the Department of Toxic Substances Control. The restoration will allow the Department to continue enforcement actions against hazardous waste control law violators, which will result in additional fines and penalties. It is proposed that this restoration be ongoing.

3980 Office of Environmental Health Hazard Assessment

The Office of Environmental Health Hazard Assessment (OEHHA) was created in 1991 as part of the California Environmental Protection Agency to evaluate the health risks of chemicals in the environment. The office (1) develops and recommends health-based standards for chemicals in the environment, (2) develops policies and guidelines for conducting risk assessments, and (3) provides technical support for environmental regulatory agencies.

Issues

Finance Letter – Restoration of Funding for the Office of Environmental Health Hazard Assessment

Background: The Jan. 10 budget proposed a \$3.6 million reduction in General Fund expenditures. The proposal calls for a reduction of 34 filled positions, 244,000 in contract funds, including the elimination of the Pesticide Worker Health and Safety Program and reducing various air quality standard reviews.

Finance Letter Request: The office has submitted a Finance Letter requesting to restore \$3.523 million and 33 position that were proposed to be eliminated above. The proposal asks to restore funding and the associated activities through direct appropriations of special funds, increased General Fund and reimbursement authority, and the redirection of baseline General Fund dollars. The proposed funding in the Finance Letter is on a one-time basis for FY 2003-04.

The Finance Letter request restores all proposed reductions except the reductions to the Emerging Challenges Program (\$95,000), the Environmental Protection Indicators of California program (\$83,000), and the Scientific Peer Review of Pesticide Risk Assessments program (\$309,000). The Finance Letter also requests funding for several new OEHHA activities including assisting the CIWMB with conversion technologies and assisting the SWRCB with the development of water quality standards for selected toxic pollutant discharges.

LAO Recommendation: The LAO states that the \$1 million proposed to be fund shifted from the ARB to OEHHA is being transferred from the \$6 million (research funding) in remaining General Fund from the stationary source program. The LAO recommends that the \$1 million be generated by an additional increase in the stationary source fees.

The LAO also recommends the adoption of supplemental report language for OEHHA to report on the long-term budgetary needs for OEHHA to meet its statutory requirements.

Staff Recommendation: Staff recommends approval of the Finance Letter. In light of the one-time nature of the Finance Letter, staff also recommends the subcommittee adopt supplemental report language asking OEHHA to report on long-term baseline requirements of the office to fund OEHHA at a level that allows the office to adequately meet its statutory requirements.

Proposed Supplemental Report Language

The department shall, by December 31, 2003, submit to the Legislature, including the budget and fiscal committees of both houses, a report on the long-term baseline requirements of the office to fund OEHHA at a level that allows the office to adequately meet its statutory requirements.

Action:

Shift of Scientific Peer Review of Pesticide Risk Assessments

Budget Proposal: The budget proposes a General Fund reduction of \$309,000 in OEHHA by shifting scientific peer review of pesticide risk assessments from OEHHA to the Secretary of Cal EPA. This reduction is part of the larger \$1.4 million pesticide-related activities reduction shown above and was not restored by the above Finance Letter.

Background: Current law requires OEHHA to perform scientific peer review of pesticide studies, registration reviews, and risk assessments conducted by DPR. Another statute requires the Secretary for Cal EPA to coordinate peer review of policies, regulations, and guidelines proposed by Cal EPA departments, using a scientific peer review panel of independent scientists. The budget proposes to shift responsibility for the pesticide-related peer review from OEHHA to the Secretary's external scientific peer review panel.

LAO Recommendation: The LAO believes the shift will not weaken OEHHA's position as the state's environmental risk assessor, but also weaken the review process by shifting the review to an advisory panel that is not configured or funded to handle individual risk assessments or has the specialized technical background for pesticide review. The LAO recommends the subcommittee deny the Governor's proposal to shift responsibility for conducting scientific peer reviews of pesticide-related risk assessments from OEHHA to a the Secretary of Cal EPA. As stated before, the LAO recommends funding this pesticide-related activity through the Department of Pesticide Regulation Fund.

Staff Recommendation: Staff shares the concern of the LAO recommendation with the shift of scientific peer review of pesticide risk assessments. Staff recommends rejecting the proposed shift, however staff recommends restoring General Fund support for the program of \$309,000.

Action:

Natural Resources Proposed Consent Items

Staff Recommendation: Staff recommends the subcommittee approve the following items as proposed.

1. **Department of Forestry and Fire Protection:** It is requested that Item 3540-001-0001 be increased by \$795,000. This action would restore funding for the Porterville and Ukiah air attack bases that was proposed for elimination in the Governor's Budget. Subsequently, the federal government has announced that it will be pulling four air tankers out of California, including the one based in Porterville. With this action and the continued stress on the state's forests, restoration of this funding will help protect the public and the state's natural resources.
2. **Wildlife Conservation Board: Transfer to the Habitat Conservation Fund—Proposition 50:** It is requested that Item 3640-311-6031 be added in the amount of \$21.0 million to transfer Proposition 50 bond funds to the Habitat Conservation Fund. Proposition 117, which created the Habitat Conservation Fund, requires \$30.0 million be transferred annually from various sources to the Habitat Conservation Fund. If these funding sources cannot fully fund this transfer, the General Fund must provide the balance of funds. The proposed transfers would meet Proposition 117 transfer requirements without the use of General Fund and would consist of the following: \$7.823 million Proposition 99 Unallocated Account within the Cigarette and Tobacco Products Surtax Fund (Proposition 99 Unallocated Account); \$1.177 million Proposition 50 bond funds allocated to the Wildlife Conservation Board (WCB) (see State Coastal Conservancy May Revision Finance Letter, Item 3760-311-6031); \$21.0 million Proposition 50 bond funds allocated to the Coastal Conservancy.
3. **Wildlife Conservation Board: Suspension of the Natural Heritage Preservation Tax Credit.** It is requested that trailer bill language be proposed to amend Section 37022 of the Public Resources Code to suspend the issuance of tax credits by the WCB for the 2003-04 fiscal year related to the Natural Heritage Preservation Tax Credit Act of 2000. This program allows for the donation of property to the State, local agencies, or nonprofit entities in exchange for a tax credit equal to 55 percent of the assessed fair market value of the property. If the approved tax credit exceeds the donor's net tax due for any given year, the donor may carry forward the balance until all of the credit is exhausted. However, no credit may be carried beyond eight years. Based on Franchise Tax Board and Department of Finance estimates, the temporary suspension of this tax credit is estimated to generate \$8.7 million in General Fund revenue for 2003-04. The actual revenue effect beyond the budget year cannot be accurately estimated since the suspension may cause a greater loss in donated properties.
4. **Department of Boating and Waterways.** It is requested that Item 3680-001-0890 be increased by \$1.5 million and that Item 3680-001-0516 be amended to reflect this change for the Coastal Data Information Program. This request would increase federal funding for five years to identify beach and cliff erosions along the Southern California coast and measure storm-generated waves off Pacific Islands.
5. **State Coastal Conservancy: Transfer to the Habitat Conservation Fund (Proposition 50).** It is requested that Item 3640-311-6031 be added in the amount of \$1.177 million to transfer Proposition 50 bond funds to the Habitat Conservation Fund. Budget Bill language is also proposed and is provided on Attachment 1. Proposition 117, which created the Habitat Conservation Fund, requires \$30.0 million be transferred annually from various sources to the Habitat Conservation Fund. If these funding sources cannot fully fund this transfer, the General Fund must provide the balance of funds.
6. **State Coastal Conservancy: Reappropriation language.** Approve the following budget bill language for the Hatton Canyon project and extend the liquidation period through fiscal-year 2006-2007. 3760-491—*Reappropriation, State Coastal Conservancy. Notwithstanding any other provision of law, the balance of the appropriation provided in the following citation is reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in the appropriation: Clean Air, and Coastal Protection Bond Fund (1) Item 3760-302-0005 (2) (Z), Budget Act of 2000 (ch. 52, Stats 2002) State Coastal Conservancy: Santa Cruz Depot Project and Tai Property, and (2) Item 3760-302-0005 (2) (BX) State Coastal*

Conservancy: Hatton Canyon—Purchase from CALTRANS, and for both items for other projects consistent with Division 21 of the Public Resources Code in Santa Cruz or Monterey counties

7. **Department of Parks and Recreation Item 3790-301-6029.** The Administration has proposed a May revision proposal to decrease item 3790-301-6029 by a total of \$10.7 million. This proposal deals with capital outlay projects that are funded with Proposition 40 bond funds.
8. **Department of Parks and Recreation: Stanford Mansion State Park.** The Administration proposes to increase reimbursements by \$1.0 million (General Fund) for the Stanford Mansion State Park.
9. **Department of Water Resources: Shift unliquidated CALFED projects to Proposition 50.** The Administration proposes to shift \$5.5 million of unliquidated General Fund monies to Proposition 50 bond funds. The finance letter also proposes to extend the liquidation period for a General Fund appropriation that was made in the 2000 budget act.
10. **Department of Water Resources: Revert Flood Control Subvention Funds.** The Administration proposes to revert \$1.97 million of unliquidated flood control subvention funds to the General Fund.
11. **Department of Water Resources: Shift Federal Royalty Payments to the General Fund.** The Administration proposes to shift \$652,000 (thousand) from the Renewable Resources Investment Fund to the General Fund.
12. **Department of Water Resources: Proposition 50.** The Administration proposes to increase reimbursements by \$175,000 (thousand) with the Department of Health Services for the Drinking Water Quality Program.
13. **CALFED Bay-Delta Authority: Watershed Program.** The Administration proposes to shift \$20.3 million (Proposition 50) from the Bay-Delta Authority to the Water Resources Control Board. The Water Board will now serve as the lead agency for the CALFED Watershed Program. (This item also conforms to the Water Board's May revise proposal to increase its budget by \$20.3 million)
14. **Secretary for Resources and Department of Parks and Recreation: Proposition 50 Accounting Services.** This proposal would shift statewide accounting services from the Secretary's office to the Department of Parks and Recreation. These two finance letters should be modified to reflect this action.

0540 Secretary for Resources

Staff Recommendation: Staff recommends the subcommittee delete all funding for the Secretary's office, including the Proposition 50 proposal for River Parkways.

Action:

3340 California Conservation Corps

Proposal to Deny the Corps' Reductions

Staff Recommendation: Staff recommends the subcommittee restore \$5.05 million (General Fund) for the following purposes:

- Health benefits for corps members: \$2.3 million
- Operate two fire centers (Butte and La Cima): \$1.9 million
- Local corps contracts: \$846,000

Action:

Capital Outlay-Tahoe Base Center

Staff Recommendation: Staff recommends the following budget bill language:

Provisions:

(8) Funds appropriated in Schedule (2) of this Item shall only be available for expenditure if a related Department of Developmental Services capital outlay project in Schedule (2) of Item 4300-301-0660 is approved by the Legislature.

(9) Site acquisition funds appropriated in Schedule (1) shall be used to acquire a site for the Tahoe Base Center in the Meyers/South Lake Tahoe area.

(10) The Department of Finance shall provide written notification to the Joint Legislative Budget Committee, within ten days of receipt, of any requests for an augmentation of project costs, change in project scope, and any related change in project schedule, for projects identified in Schedules (1) and (2).

Action:

3480 Department of Conservation

Fee increases

Issue: At a previous subcommittee hearing, SB 649 (Kuehl) was proposed as a trailer bill.

Staff Recommendation: Staff recommends the subcommittee approve trailer bill language to increase to existing fees for mining operations to \$4,000 annually, and cap the fees collected for this program at \$3.5 million.

Action:

Finance Letter-Loans from the BCRF and Processing Fee Account

Issue: The Administration proposes the following loans to General Fund:

1. \$70 million from the Beverage Container Recycling Fund
2. \$84 million from Processing Fee Accounts.

Staff Recommendation: Staff recommends the subcommittee approve the finance letter and the following budget bill language for both loans:

Upon written approval of the Director of Finance, funds may be transferred from the Beverage Container Recycling Fund to the General Fund. The transfer made by this item is a loan to the General Fund and shall be fully repaid by June 30, 2009. This loan shall be repaid with interest at the rate earned by the Pooled Money Investment Account at the time of the transfer. The Controller shall, within 15 working days of receipt of written notification from the Director of Finance, transfer from the General Fund to the Beverage Container Recycling Fund the full amount of the loan or increments thereof as requested by the Director of Finance. It is the intent of the Legislature that the repayment is made so as to ensure that the pro-grams supported by this fund are not adversely affected by the loan.

Upon written approval of the Director of Finance, funds from this loan shall be transferred back to the Beverage Container Recycling Fund in an amount necessary to provide operating funds for support of the Beverage Container Recycling Pro-gram. Once the monthly cash-flow needs of the California Beverage Container Recycling Pro-gram are met, any excess General Fund moneys transferred to the California Beverage Container Recycling Fund during the 2003–04 fiscal year shall revert to the General Fund by June 30, 2004

Action:

Strong-Motion Instrument and Seismic Hazards Mapping Fund

Background: The Strong Motion Instrumentation Fund and the Seismic Hazards Mapping Fund each receive monies from building fees. Under existing law, 70% of the building fees are deposited in the Strong Motion fund and 30% are deposited in the Seismic Hazards Mapping fund.

Issue: As originally conceived, the Seismic Hazards fund was supposed to receive money from the Residential Earthquake Recovery fund and with that money, both strong motion instrumentation and seismic hazards mapping would have been equally funded. The Residential Earthquake Recovery Fund has dissolved.

Staff Recommendation: Staff recommends the subcommittee approve trailer bill language to merge the Seismic Hazards Mapping fund and the Strong Motion Instrumentation fund to allow the Administration and the Legislature to equitably fund these two seismic hazard identification programs. The Assembly budget subcommittee has already approved this proposal.

Action:

3540 Department of Forestry and Fire Protection

Fire Protection Fees

Issue: The budget proposes approximately \$341 million from the General Fund for support of the fire protection program. The LAO recommends the Legislature approve legislation to fund one-half of the proposed General Fund budget for fire protection on state responsibility areas by imposing fees on property owners who benefit from these services. This would result in a savings of about \$170 million to the General Fund. The LAO also recommends the enactment of legislation to establish a new special fund for the deposit of the fees.

Staff Recommendation: Staff recommends the subcommittee approve trailer bill language to establish new fees to pay for a portion of the fire protection program. The trailer bill language should also include authorization for the department to secure loans from other funds sources if the fee revenues do materialize in the budget-year. For purposes of sending this issue to conference committee the subcommittee should also approve a \$50 million General Fund reduction to the fire protection program.

Action:

Funding Timber Harvest Plan Review and other Departmental Programs

Issue: The budget proposes \$23.5 million for timber harvest plan review and enforcement (among various departments). Of this amount, \$13.8 million is allocated to the CDF. Over the past few years the subcommittee has made numerous attempts to improve the overall review and enforcement of timber harvest plans. Due to limited resources, the state currently reviews approximately 12 percent of all timber harvest plans.

Staff Recommendation: Staff recommends the subcommittee approve trailer bill language to establish a 4 percent timber yield fee. For purposes of sending this issue to conference committee, staff recommends the subcommittee approve a \$10 million General Fund reduction to the department's THP enforcement and review.

Action:

Timber Products Fee

Background: Senate Bill 557 (Kuehl) is structured (1) as an alternative to imposing a timber harvest review fee directly on applicants; (2) to replace the \$21 million current General Fund outlay for all departmental reviews of timber harvest plans; (3) to provide funding to increase and improve the reviews of timber harvest plans by all relevant departments; and (4) to provide a revenue stream for the life of the legislation for a variety of restoration and forestry-related projects that would otherwise not be funded.

The revenue source that the bill would generate is imposed by a user fee collected at retail. The fee would be a penny per board foot for dimensional lumber, and a penny a square foot for materials customarily sold as sheeting, such as plywoods. The Department of Forestry estimates that Californians purchase 10-11 billion board feet of lumber each year. Thus, the penny/board foot has the potential to generate \$100 million annually.

Staff Recommendation: SB 557 is currently moving through the Legislative process. The subcommittee may wish to consider approving SB 557 as a trailer bill.

Action:

Computer Aided Dispatch System

Background: In the 2001-02 Budget-Act, the Legislature approved \$10.4 million (General Fund) to the department for the development and implementation of the CAD system. The department originally estimated this project would be implemented over a 5-year period. The budget proposes \$2.6 million from the State Emergency Telephone Number (911) Account to continue the implementation of the CAD system.

Staff Recommendation: Subcommittee 4 has already approved the Administration's proposal to raise the 911 surcharge account to pay for this item. Staff recommends the subcommittee approve the CAD system as proposed.

Action:

Additional Budget Bill Language

Staff Recommendation: Staff recommends the subcommittee approve the following budget bill language:
Item 3540-001-0928

“Notwithstanding any other provision of law, no moneys in this item may be expended for the purpose of preparing or implementing a timber harvesting plan for the Jackson State Demonstration Forest that authorizes clearcutting or other harvest methods that result in the removal in one operation of more than 70% of the average conifer basal area per acre of the dominant or co-dominant trees, as defined in 14 CCR 895.1, within the harvest area.”

Action:

3600 Department of Fish and Game

Reduction for Timber Harvest Plan Review

Staff Recommendation: Staff recommends the subcommittee deny the Administration’s proposal to reduce \$425,000 (thousand) for timber harvest plan review.

Action:

Fee Increases Proposed for the Department

Staff Recommendation: The budget proposes various fee increases to support the department’s budget. Staff recommends the subcommittee approve the Administration’s proposed fees and the following changes. Subcommittee staff these additional fees, separate from those proposed by the Administration, will generate an additional \$186,000.

Proposed Additions for DFG License & Permit Fee Budget Trailer Bill

	<i>Current Fee</i>	<i>Proposed Fee</i>
Fish Importer License	\$400	\$549
Fish Processor License	400	549
Fish Receiver License	400	549
Marine Aquaria Receivers License	1,000	1,373
Fish Business License	1,000	1,373
Fish Wholesaler License	270	371
Fishermen’s Retailer	50	69
Aquaculture Registration		
Initial	400	549
Renewal	200	275
Surcharge**	300	412

Action:

Additional Budget Bill Language

Staff Recommendation: Staff recommends the subcommittee approve the following budget-bill language:

Item 3600-001-200

Except for permits issued to a university, college, governmental research agency or other bona fide scientific institution pursuant to Section 671.1 of Title 14 of the California Code of Regulations, the department shall not authorize the importation of any live transgenic aquatic animal, as defined by Section 1.92 of Title 14 of the California Code of Regulations, nor permit the registration of, or conduct of aquaculture operations to culture such aquatic animals, unless and until all of the following conditions have been met:

(a) The United States Food and Drug Administration explicitly authorizes the use of transgenic aquatic animals for human consumption and other commercial purposes.

(b) The department completes an environmental impact report (EIR) that fulfills the requirements of the California Environmental Quality Act (Division 13 [commencing with Section 21000] of the Public Resources Code), regarding the effects on the native fish and wildlife resources of the state that could result from legalizing commercial importation, transportation, or rearing of, transgenic aquatic animals.

(c) Following the completion of the EIR, the Fish and Game Commission adopts regulations under Section 15005 of the Fish and Game Code, specifying the terms and conditions under which transgenic aquatic animals may be registered and cultured for commercial purposes. At a minimum, such regulations shall include all those terms and conditions contained in Section 671.1 of Title 14 of the California Code of Regulations.

3600-001-0001

Provisions:

No moneys in this item may be expended for support of a recovery strategy pilot program for coho salmon unless both of the following statutory requirements are met: (a) the petitioners for listing coho salmon under the California Endangered Species Act affirmatively concur pursuant to Section 2106 of the Fish and Game Code; and (b) funds have been explicitly appropriated by the Legislature for support of this pilot program in compliance with Section 2115 of the Fish and Game Code.

Action:

Request to Delete Budget Bill Language

Issue: The subcommittee has received a request on behalf of the United Anglers of Southern California to delete Provision 2, under item 3600-001-0200. This language authorizes the department to utilize fee revenues for other purposes not authorized in existing statute.

Staff Recommendation: Staff recommends the department explain why this language is included in the budget. The subcommittee may also wish to withhold action on this item.

Action:

Wetlands Project Proposal

Staff Recommendation: The subcommittee has received a request to augment the Comprehensive Wetlands Program by \$200,000 and allow the department to contract with the Central Valley Habitat Joint Venture to develop projects.

Staff Recommendation: The subcommittee may wish to consider approving this item if there are available revenues in the Environmental License Plate Fund. If there is not a sufficient fund balance in the ELPF, the subcommittee may wish to approve funding from the General Fund.

Action:

Increase for Marine Resource Protection

Background. The subcommittee has received a letter from the Resources Legacy Fund Foundation and from several environmental groups requesting a General Fund augmentation of \$800,000 to fund the Marine Life Preservation Act, a program to promote marine life protection in California coastal and ocean areas.

Staff Recommendation. If the subcommittee believes this program is a priority and should receive General Support, the subcommittee may wish to consider the following budget bill language:

1. Of the funds appropriated \$800,000 shall be available to match private funds for expenditure for activities in support of protection and management of marine resources including: (a) Facilitated regional workshops to identify potential sites for marine reserves, parks and other candidate protected areas, (b) Ecological and socioeconomic studies and data compilation pursuant to the Marine Life Protection Act, and (c) Research, Monitoring and planning efforts necessary to meet the goals of the Marine Life Protection Program.

Action:

3640 Wildlife Conservation Board

May Revise: Transfer to the Natural Resources Infrastructure Fund (NRIF)

The Administration proposes a \$7.9 million transfer from the General Fund to the NRIF to liquidate appropriations made in 2001-02 for the Department of Parks and Recreation and the Air Resources Board.

Tidelands oil revenues are expected to increase by \$34.9 million in 2002-03 and \$24.9 million in 2003-04 over currently budgeted amounts. If these revenues were realized in prior years, these departments would have had the revenue and authority needed to retire these prior obligations. However, since existing statute governing the distribution of these funds was suspended in July 2002, and will sunset in June 2003, this transfer from expected budget year revenues becomes necessary for purposes of liquidation.

The subcommittee has received a letter from the Pacific Coast Federation of Fishermen's Associations (PCFFA), Cal-Trout, American Rivers, and the Northern California Association of River Guides, requesting the Legislature deny the proposed early sunset of tidelands oil revenue allocations governed by SB 271 (Thompson, 1997) on June 30, 2003, instead of 2006. These groups have also requested that the subcommittee add to the 2003 Budget Bill an \$8 million appropriation from these revenues for salmon restoration projects authorized by SB 271. However, subcommittee staff is advised that there is expected to be an unexpended balance of \$4.0 - \$4.5 million remaining from a 2000 Budget Act appropriation from Prop. 13 salmon restoration funds that will revert on June 30 this year.

Staff Recommendation: Staff recommends the subcommittee approve the finance letter with the following changes:

- Delete NRIF/General Fund support for the Department of Parks and Recreation expenditure and substitute with Proposition 40 bonds funds.
- Approve the following reappropriation language to make the unexpended balance of Prop. 13 funds available for expenditure by the Department of Fish and Game for salmon restoration projects:

3600-490-Reappropriation, Department of Fish and Game. Notwithstanding any other provision of law, the balance of the amount appropriated in the following citation is hereby reappropriated for the purposes and subject to the limitations, except as otherwise specified, provided for in that appropriation, and shall be available for expenditure until June 30, 2005:

Provisions:

1. A portion of the funds appropriated by this item may be expended for projects that protect, restore and enhance salmon and steelhead trout fisheries affected by reduced river flows and water quality in the Klamath Basin, including, but not limited to, cooperative projects within the watersheds of the Shasta and Scott Rivers, provided such expenditures are consistent with Section 6217.1 of the Public Resources Code.

Action:

May Revise: Colorado River Regulatory Program

The Administration proposes to add budget bill language directing the allocation of \$10.0 million from Proposition 50 bond funds to the Department of Water Resources for feasibility studies and related expenses to guide the restoration and permanent protection of the wildlife habitat of the Salton Sea. This item currently contains \$32.5 million for the acquisition, protection and restoration of land and water resources, pursuant to state obligations related to California's allocation from the Colorado River.

Staff Recommendation: Staff Recommends the subcommittee deny the finance letter and approve the following budget bill language:

3640-301-6031

Provisions:

1. The funds authorized in this item for appropriation shall only be available for encumbrance following the execution of the Quantification Settlement Agreement, as specified in Chapter 617, Statutes of 2002, and as specified in SB 317 (Kuehl) and SB 411 (Ducheny).
2. Of the funds appropriated in this item, \$10,000,000 shall be reimbursement to the Department of Water Resources for feasibility studies and related expenses to guide the restoration and permanent protection of the wildlife habitat of the Salton Sea that shall be appropriated to effectuate SB 317 (Kuehl) and SB 411 (Ducheny).

Action:

3680 Department of Boating and Waterways

Senate Bill 976

Issue: The subcommittee has been asked to hear SB 976 (Ducheny) and make a recommendation to the full committee for next week's hearing. SB 976 transfers \$5.713 million from the Harbors and Watercraft Fund to the Public Beach Restoration Fund.

Staff Recommendation: Although there are policy issues that need to be resolved, staff recommends the subcommittee approve SB 976 and have the full Budget Committee re-refer the bill to Rules Committee.

Action:

3720 Coastal Commission

May Revise Proposal

Issue: The Administration is proposing to reduce the commission's budget by \$380,000. The 2003-04 Governor's Budget includes a payment of \$380,000 of federal funds to the Statewide Cost Allocation Plan (SWCAP). The SWCAP funds represent General Fund recoveries of statewide general administrative costs. A federal grant restriction prohibits this SWCAP payment. Therefore, it is necessary to reduce the Commission's General Fund budget by \$380,000 to compensate for the loss of the SWCAP payment. This reduction will not affect the Commission's baseline funding in the 2003-04 Governor's Budget.

Staff Recommendation: Staff recommends the subcommittee reject the Administration's finance letter. The Coastal Commission would also like the subcommittee to approve the following budget bill language:

Consistent with historic practice and to implement California's federally approved coastal management program (CCMP) in a manner that is responsive to recent critical federal evaluations of the CCMP and to ensure that California does not jeopardize its federal consistency review authority and future federal grant funds, the California Coastal Commission shall, without regard to fiscal year, not be subject to the Statewide Cost Allocation Plan.

Action:

3790 Department of Parks and Recreation

May Revise Proposal-Cultural and Historical Endowment

Issue: Consistent with the subcommittee's action from a prior hearing, the Administration has proposed to rescind all funding for the Cultural and Historical Grant Program, and allocate these funds to the Cultural and Historical Endowment. In total \$128.4 million from Proposition 40 will be sent to the Endowment.

Staff Recommendation: Staff recommends the subcommittee approve the finance letter for purposes of being consistent with the Assembly Budget subcommittee's action on this item. However, staff also recommends the subcommittee deny the proposed reduction for artifact conservation (Issue 104, Item 3790-001-6029). The Administration informs staff that this item was inadvertently included in the cultural and historical reduction proposal.

Action:

May Revise Proposal-Riverside Off Highway Vehicle Park

Issue: The Administration proposes \$27 million (Off Highway Vehicle Fund) for the acquisition and development of the Riverside Off Highway Vehicle Park. This proposal would allow the department to purchase up to 7100 acres of mitigation lands to obtain permitting rights to develop the OHV park. The subcommittee has received a request to utilize an additional \$22 million from the OHV fund to acquire SVRAs and buffer zones as approved by the OHV commission.

Staff Recommendation: Staff recommends the subcommittee approve the finance letter and approve \$22 million for additional SVRAs and buffer zones.

Action:

Urban Parks Cost Share Waiver

Staff Recommendation: Staff recommends the subcommittee approve budget bill language to waive the 30 percent non-state match requirement for the Roberti-Z'berg-Harris Urban Park Program and the Murray Hayden Grant Program. This language will allow locals to draw down funds that are already available for appropriation.

Action:

Request to Accelerate State Parks Projects

Issue: The subcommittee has received a request to accelerate the delivery of various state parks projects. The proposal would effect the following projects:

1. MacKerricher Pudding Creek Trestle
2. Railroad Technology Museum Rehabilitation and Facilities Plan
3. Donner Memorial New Visitor Center
4. Morro Bay Sewer System
5. Calaveras Big Trees New Visitor Center
6. Chino Hills Entrance Road
7. Sepulveda Adobe

Staff Comments: The subcommittee should have the LAO and the Department of Finance comment on this proposal. The subcommittee should also ask the following questions:

- From what fund source are each of these projects funded?
- What is the status of these projects and why is there a need to accelerate the delivery of the projects?
- How would this proposal effect the Public Works Board process? Specifically would this proposal violate the requirement that Public Works Board review all working plans and drawings before authorizing funds for construction?

Staff Recommendation: Subcommittee staff have no recommendation for this item.

Action:

Sugar Pine Point Park

Staff Recommendation: Staff recommends the subcommittee rename Sugar Pine Point Park to “Ed Z’berg-Sugar Pine Point Park.

Action:

3860 Department of Water Resources

May Revise- Dam Safety Fees

Issue: The Administration proposes to reduce General Fund support for the Dam Safety Program and authorize the department to raise the existing dam safety fees. The Administration estimates that this proposal will save the General Fund \$4.7 million. The Administration also proposes to exempt owners of smaller dams on farms and ranches from this fee increase.

Staff Recommendation: Staff recommends the subcommittee approve the finance letter as proposed.

Action:

Proposition 50 Open Issues

Issues: The subcommittee has identified various issues that need to be resolved before approving the Proposition 50 expenditure plan. The subcommittee has yet to act on the following items:

- The overall implementation language needed to establish certain programs within Proposition 50, most notably the Integrated Regional Water Management Program.
- The River Parkways Program (the subcommittee has deleted all funding for the Secretary for Resources), including implementation language to add structure and definition to this program.
- Statewide costs, including the Administration's proposals for a public web site and coordination and audit expenses.
- The LAO's recommendations for oversight and Legislative review, including the application of Control Section 9.45 for all Prop 50 expenditures.
- The Administration's proposal to utilize desalination grant funds.

Staff Recommendation: If the subcommittee believes it is ready to act on any or all of these items, staff recommends the following:

1. Approve trailer bill language to implement various programs within Prop 50.
2. Shift all funding for the River Parkways program to the Wildlife Conservation Board and approve the LAO recommendation to pass trailer bill language that establishes the grant criteria for this program.
3. Shift all funding for the Sierra Nevada-Cascade Mountain program to the Wildlife Conservation board and approve trailer bill language to establish criteria for the program.
4. Withhold approval for the web-site proposal.
5. Approve the LAO recommendation to apply Control Section 9.45 to all WCB expenditures.
6. Approve the Administration's proposal to allocate \$15 million to DWR for desalination projects and staff.

Action:

General Fund Reversion

Background. Chapter 813, Statutes of 1998 appropriated \$235 million from the General Fund to the Colorado River Management Account. Of the amount appropriated \$200 million was earmarked for the lining of the Coachella Branch of the All American Canal. The remaining \$35 million was appropriated to finance and arrange for the installation of recharge, extraction, and distribution facilities for a groundwater conjunctive use program that is not going to be completed.

Staff Recommendation. The subcommittee should ask the Department of Finance about the status of this project. The subcommittee may also wish revert \$35 million from this item to the General Fund.

Action:

3870 CALFED Bay-Delta Authority

May Revise-CALFED User Fee

Issue: The Administration proposes budget bill language that requires the Bay-Delta Authority to establish a broad-based user fee proposal for inclusion in the 2004-05 budget.

The Administration argues that the Record of Decision (ROD) require the adoption of a user fee by 2003. This proposal would require water users to pay a user to finance a portion of the CALFED program.

Staff Recommendation: Although there are policy questions that eventually need to be addressed, staff recommends the subcommittee approve the budget bill language to allow the Bay-Delta Authority to develop a user fee proposal.

Action: